

FISCAL NOTE

Bill #: HB 18

Title: Revise and clarify state/local finance –
HB 124 housekeeping and fixes

**Primary
Sponsor:** Bob Story

Status: As Introduced

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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Fiscal Summary

	<u>FY 2003 Difference</u>	<u>FY 2004 Difference</u>	<u>FY 2005 Difference</u>
Expenditures:			
General Fund	(\$2,464,636)	(\$1,546,678)	(\$1,563,316)
State Special	\$14,790	\$0	\$0
Revenue:			
General Fund	\$69,300	\$71,050	\$71,050
State Special Revenue (P&P Supervisory)	\$0	\$77,000	\$77,000
Net Impact on General Fund Balance:	\$2,533,936	\$1,615,978	\$1,632,616

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
X		Significant Local Gov. Impact	X		Technical Concerns
	X	Included in the Executive Budget		X	Significant Long-Term Impacts
	X	Dedicated Revenue Form Attached		X	Family Impact Form Attached

Fiscal Analysis

ASSUMPTIONS:

1. Section 2 of the bill would remove the HB20 transfer of general fund money to the state special revenue account for the university system. Under current law the transfer for FY 2003 would be \$209,912. The HB20 transfer would be replaced by a matching appropriation resulting in no change to the general fund or the state special revenue account for the university system.
2. HB20 property tax reimbursements are not presently allocated to the county equalization levies established in 20-9-331 and 20-9-333 or the state equalization levy established in 20-9-360.

Therefore, the amendments in Sections 2 and 3 of HB 18 have no impact on revenues for K-12 public schools.

3. Section 5 of the bill changes the growth rates used in determining the HB124 entitlement share payments. The growth rates under current law and HB18 are listed below in Table 1. In FY 2004 and each fiscal year after, the growth rates under current law and HB18 are the same.

Table 1						
Growth Rates used in Calculating HB124 Entitlement Share Payments						
Fiscal Year	Cities		Counties		Consolidated City/Counties	
	Current Law	HB18	Current Law	HB18	Current Law	HB18
FY2003	3.00%*	3.00%	3.00%*	1.61%	3.00%*	2.30%
FY2004	3.00%	3.00%	2.30%	2.30%	2.65%	2.65%
FY2005	3.00%	3.00%	2.30%	2.30%	2.65%	2.65%

* Under law the FY2003 growth rates are set at 3.00%. Current law rates for FY2004 and after are estimates.

4. The current law base for calculating the FY 2003 entitlement payments is unchanged by HB18.
5. Beginning with FY 2004, the 25 cents recording fee for marriage certificates will be deposited in the state general fund. Under current law the recording fee is county revenue. In calendar year 2000 there were 6,870 marriages in Montana (DPHHS). For purposes of this fiscal note it is assumed that there will be 7,000 marriages in Montana in FY 2004 and each succeeding fiscal year. This results in an *increase* of \$1,750 in the state general fund in FY 2004 and succeeding fiscal years. The \$1,750 increase to the general fund will be offset by adding the same amount to the entitlement share payment to counties in FY 2004 and will become part of the base for calculation of entitlement share payments for fiscal years after FY 2005 and beyond.
6. Beginning with FY 2004, the portion of the probationer or parolee supervisory fee that is currently retained by the district court clerks as administrative cost will be deposited into the state special revenue account. For purposes of this fiscal note it is assumed that the amount of the fee retained by the district court clerk in FY 2003 is \$77,000. This results in an *increase* of \$77,000 in the state special revenue account in FY 2004 and succeeding fiscal years. The \$77,000 will be added to the entitlement share payment to counties in FY 2004 and will become part of the base for calculation of entitlement share payments for fiscal years after FY 2005 and beyond.
7. Applying the growth rates in Table 1, and the slight increases in the entitlement share base beginning in FY 2004 (assumptions 5 and 6), will result in the entitlement share payments shown in Table 2.

Table 2						
Estimated Entitlement Share Payment for Current Law and HB18						
Fiscal Year	Cities		Counties		Consolidated City/Counties	
	Current Law	HB18	Current Law	HB18	Current Law	HB18
FY2003	43,073,646	43,073,646	29,904,633	29,501,065	3,889,264	3,862,832
FY2004	44,365,855	44,365,855	30,592,440	30,256,123	3,992,329	3,969,238
FY2005	45,696,831	45,696,831	31,296,066	30,952,014	4,098,126	4,074,423

8. The difference in total entitlement share payment is shown in Table 3.

Table 3			
Estimated Total Share Payment for Current Law and HB18			
Fiscal Year	Total Entitlement Share Payment		
	Current Law	HB18	Difference
FY2003	76,867,543	76,437,543	(430,000)
FY2004	78,950,624	78,591,216	(359,408)
FY2005	81,091,023	80,723,268	(367,755)

9. It is estimated that HB18 would *reduce* the total amount of entitlement share payments by \$430,000 in FY 2003, \$359,408 in FY 2004, and \$367,755 in FY 2005.
10. Because the growth in the entitlement share payments for FY 2003 under the proposal is lower than under current law, the base year for calculating the entitlement share payments in FY 2004 and following fiscal years is lower than what the base would be under current law. Because of this, the entitlement share payments under HB18 for FY 2004 and following fiscal years will be *less* than under current law.
11. Section 10 of the proposal ends payment of monies gained by fines, penalties, forfeitures, and civil penalties for violation of gambling laws to counties beginning in FY 2003. The money would flow into the state general fund. It is estimated that the result will be an *increase* in state general fund revenue of the average of penalties collected in FY 1999, FY 2001, and FY 2001 or \$69,300 per year.
12. Beginning in FY 2004, \$70 of the filing fee for a petition for adoption will be deposited into the state general fund. Under current law the \$70 is credited to the special revenue account for adoptions services. It is estimated that this will *increase* revenue to the state general fund by \$47,715 in FY 2004 and after.
13. Section 26 amends the amount of money paid to countywide elementary retirement funds in FY 2003. The amendments result in a *reduction* in the total amount paid to the elementary retirement funds of \$177,515. The payments made to elementary retirement funds are *reduced* by \$113,437 in FY 2004 and \$114,299 in FY 2005.
14. Section 26 amends the amount of money paid to countywide high school retirement funds in FY 2003. The amendments result in a *reduction* in the total amount paid to the high school retirement funds of \$962,239. The payments made to high school retirement funds are *reduced* by \$502,583 in FY 2004 and \$506,403 in FY 2005.
15. Section 27 amends the amount of money paid to countywide transportation funds in FY 2003. The amendments result in a *reduction* in the total amount paid to the transportation funds of \$191,114. The payments made to transportation funds are *reduced* by \$103,232 in FY 2004 and \$104,016 in FY 2005.
16. The reductions to the county retirement block grants have an indirect effect of increasing the amount of guaranteed tax base (GTB) aid distributed under the school funding formulas by \$277,000 in FY 2003, \$138,000 in FY 2004 and \$140,000 in FY 2005.
17. Section 28 of the proposal sets the appropriated amount of \$52,407,206 to OPI for the purpose of school district block grants. This amount is \$1,775,768 less than what would be available for the school district block grants under current law.

18. The reductions to the school district block grants have an indirect effect of increasing the amount of guaranteed tax base (GTB) aid distributed under the school funding formulas by \$575,000 in FY 2003, \$292,000 in FY 2004 and \$294,000 in FY 2005.
19. The proposal appropriates \$220,000 from the state general fund for reimbursement to the city of Bozeman for accrued gaming revenue.
20. The proposal allows for collection of penalties and interest on late payment of livestock per capita fees. This will result in a slight increase in revenue that is not included in this fiscal note.
21. Under current law the department of revenue cannot collect late payment penalties and interest on livestock per capita payments. The proposal will allow for penalties and interest on payments for livestock per capita made after the due date of November 30 of each year. The computer programming used to administer per capita payments will have to be modified to account for penalty and interest payments. It is estimated that the cost of the modifications would be \$14,790 (\$14,158 in personal services and \$632 in equipment) in FY 2003.
22. The following sections clarify how the law is to be applied: Sections 4,7,8,15-23,29,30 and Section 5 parts 15-1-121 (1) and (5). Impacts from these items have not been included in this fiscal note because these sections do not change how the law is being applied.

Department of Justice

23. There is no impact for the Motor Vehicle Division as the programming completed by the Department of Justice has complied with the intent of the 2001 Legislature when HB 124 was passed.
24. All Montana Highway Patrol fine collections are for Justice courts. The only exceptions would be periodic felonies into District Court. Charges for offenses on Indian reservations would continue to be filed in the tribal court, with the Montana Highway Patrol Officers writing the charges as agents of the tribe.

FISCAL IMPACT:

	<u>FY 2003</u> <u>Difference</u>	<u>FY 2004</u> <u>Difference</u>	<u>FY 2005</u> <u>Difference</u>
<u>Expenditures:</u>			
General Fund			
Reduction of Growth Rates	(\$430,000)	(\$359,408)	(\$367,755)
Countywide Transportation Block Grant	(191,114)	(103,232)	(104,016)
Countywide Elem Retirement Block Grant	(177,515)	(113,437)	(114,299)
Countywide HS Retirement Block Grant	(962,239)	(502,583)	(506,403)
GTB backfill County Retirement	277,000	138,000	140,000
School Block Grant	(1,775,768)	(898,018)	(904,843)
GTB backfill district general fund	575,000	292,000	294,000
City of Bozeman	<u>220,000</u>	<u>0</u>	<u>0</u>
TOTAL	(\$2,464,636)	(\$1,546,678)	(\$1,563,316)
State Special (CSC DOR)			
Personal Services	\$14,158		
Operating	<u>\$632</u>		
TOTAL	\$14,790	\$0	\$0

Revenues:

General Fund

Marriage License	\$0	\$1,750	\$1,750
Fines, Penalties - Gambling	<u>69,300</u>	<u>69,300</u>	<u>69,300</u>
TOTAL	\$69,300	\$71,050	\$71,050

State Special Revenue

Probationer or Parolee Supervisory Fee	\$0	\$77,000	\$77,000
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Net Impact to Fund Balance (Revenue minus Expenditure):

General Fund (01)	\$2,533,936	\$1,615,978	\$1,632,616
State Special Revenue (P&P Supervisory)	\$0	\$77,000	\$77,000
State Special Revenue (CSC DOR)	(\$14,790)	\$0	\$0

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

This bill decreases county government revenues by \$69,300; the same amount state general fund revenues are projected to increase. Under current law ½ of the gambling penalties are distributed to the county general fund of the counties in which the violations occurred. HB18 requires the division to deposit all of the penalties collected in the state general fund.

This bill will reduce the entitlement share payment to counties (see Table 2 in assumption 6).

Block grants to countywide transportation and retirement funds and school district funds are reduced to more accurately reflect actual loss in revenue due to HB124 (2001 Legislature). These reductions will be replaced by local property taxes. FY 2003 reductions are approximately twice the ongoing effect.

- County transportation fund block grants are reduced by \$191,111 in FY 2003 and about \$103,000 in following years.
- County retirement funds are reduced by \$1,139,754, state guaranteed tax base aid would increase by \$276,942 because of this reduction in the block grants. The net effect will be to increase county property taxes by \$862,812 in FY 2003 and about \$478,000 in following years.
- District block grants are reduced by \$1,775,768, state guaranteed tax base aid would increase by \$575,000 because of this reduction in the block grants. The net effect will be to increase district property taxes by \$1,200,768 in FY 2003 and about \$606,000 in following years.

TECHNICAL CONCERNS

In order for the Department of Revenue to do the computer programming considered in assumption 21, it will need additional state special appropriation authority.